Replaced by FmHA AN No. 2566 (1951) dated 6-22-92

United States Department of Agriculture
Farmers Home Administration
Washington D.C. 20250

FmHA AN No. 2447 (1951)

January 17, 1992

SUBJECT: Program Management and Servicing Goals
July 1, 1991 through June 30, 1992

TO: All State Directors

Purpose/Intended Outcome

This AN amends Farmers Home Administration's program management and servicing goals for the rating period of July 1, 1991, through June 30, 1992.

Comparison with Previous AN

This AN amends FmHA AN No. 2316 (1951), dated July 1, 1991.

Implementation Responsibilities

FmHA AN No. 2316 established reasonable and achievable goals which were specifically tailored to your individual State. Your successful achievement is expected, and progress towards the goals is being carefully monitored. As in the past, the National Office will continue to provide quarterly goals progress reports to assist you in the management of all programs. State Directors are encouraged to continue monitoring the activities of offices within their jurisdiction to identify constraints, and to take appropriate action so National Agency Objectives are achieved.

We have reviewed all goals as we indicated would be done when the goals were issued, and have determined some adjustments are necessary. Due to changing conditions, such as the Agriculture Appropriations Act, we have made the following changes in the goals (revised copies of your goal sheets are attached):

1. Community and Business Programs Goal 2A - Portfolio Management Community Facilities: Reduction of Delinquency

   This goal is amended to reflect a change in the National Agency Objective. Our National Objective is now 34 borrowers or 1.8% of portfolio.

2. Community and Business Programs Goal 3A - Guaranteed Loans CF and WWD: Improve Fund Utilization

   The Agriculture Appropriations Act provided funds for Water and Waste Disposal guaranteed loans. This goal is adjusted to incorporate a WWD guaranteed loanmaking goal.

EXPIRATION DATE: June 30, 1992

FILING INSTRUCTIONS:
Preceding
FmHA Instruction 1951-A

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FmHA AN No. 2316, Attachment C, Management Goals for Community and Business Programs July 1, 1991, Through June 30, 1992, is revised in accordance with the above changes.

If you have further comments or concerns on specific goals, you should immediately contact the Administrator's office so that any discussion can be finalized.

La Verne Ausman

LA VERNE AUSMAN
Administrator

Attachments

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Management Goals for Community and Business Programs
July 1, 1991, through June 30, 1992

INTRODUCTION

Goals established for C&BP are consistent with the Agency's Strategic Plan. The management goals for C&BP are derived from three major Agency objectives: (1) Improving credit quality; (2) Improving portfolio management; and (3) Increasing the use of the guaranteed authority in Community Programs (CP) and Business and Industry (B&I) programs.

Historical data and trends, current status of portfolio, and economic conditions were used in determining the National Agency objectives and National Office goals for each State. The goals, based on the above justification, have been determined reasonable as well as obtainable.

DISCUSSION OF GOALS

1. Credit Quality and/or Loanmaking

A. Community Facilities - Fund Utilization (5 points)

States are expected to use allocated funds to meet the credit needs within their State. States are expected by October 1, 1991, to have utilized 25 percent of FY '91 allocation and by June 30, 1992, to have utilized 75 percent of FY '92 allocation.

B. Business and Industry - Improve Quality of Credit Decisions (15 points)

All loans originated will be analyzed and reviewed for soundness using industrial standards and Agency regulations with the objective that not more than 5 percent of the principal balance of loans closed in the last quarter of FY '91 and the first three quarters of FY '92 will become delinquent within the first 3 years. Emphasis should be placed on making quality loans; this includes a thorough analysis and review for financial soundness of the loan at the time of approval.

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Measurement Criteria

The goal for loans closed July 1, 1991, through June 30, 1992, will be measured annually as of June 30 for each of the next 3 years commencing June 30, 1992. The goal for loans closed in subsequent rating years (July 1 through June 30) will be measured the end of the third year following the rating year in which the cohort of loans was closed.

Example:

Five loans totaling $6,000,000 are closed July 1, 1991, through June 30, 1992 (FY '92 cohort). Seven loans totaling $7,000,000 are closed July 1, 1992, through June 30, 1993 (FY '93 cohort). Ten loans totaling $10,000,000 are closed July 1, 1993, through June 30, 1994 (FY '94 cohort).

FY '92 cohort performance would be measured annually based on principal balance of loans comprising cohort as of June 30 for each of the next 3 years commencing June 30, 1992.

FY '93 cohort performance would only be measured based on principal balance of loans comprising cohort as of June 30, 1995 (end of 3-year goal period).

FY '94 cohort performance would only be measured based on principal balance of loans comprising cohort as of June 30, 1996 (end of 3-year goal period).

C. Water and Waste Disposal - Loan Fund Utilization (5 points)

States are expected to use allocated funds to meet the credit needs within their State. States are expected by October 1, 1991, to have utilized 25 percent of FY '91 allocation and by June 30, 1992, to have utilized 75 percent of FY '92 allocation.

D. Water and Waste Disposal - Grant Fund Utilization

States are expected to use allocated funds to meet the credit needs within their State. States are expected by October 1, 1991, to have utilized 25 percent of FY '91 allocation and by June 30, 1992, to have utilized 75 percent of FY '92 allocation.

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2. Portfolio Management

States that currently have a zero delinquency and a goal to maintain a zero delinquency can recognize employees for exceptional effort. Affected personnel may exceed a fully successful rating if exceptional work is performed to maintain a zero delinquency. Also, States that currently have delinquent loan(s) and a goal of zero may recognize employees in the same manner if exceptional work is performed in obtaining a zero delinquency.

A & C. Community Facilities and Indian Tribal Land Acquisition - Reduction of Delinquencies (5 points)

For Community Facilities and Indian Tribal Land Acquisition, historical data on delinquencies for the past 5 years and economic trends were reviewed. The National Agency objectives were based on the actual ratio of delinquent borrowers to total borrowers as of June 30, 1990. States' goals were based on regional economic conditions; knowledge of delinquent projects through delinquency reports and field visits; and the June 30, 1990, delinquencies. Consideration was also given to delinquency as of March 31, 1991.

B, D, E, F & G. Resource Conservation and Development, Recreation, Watershed Protection and Flood Prevention, Grazing and Other Shifts in Land Use, and Irrigation and Drainage - Reduction of Delinquencies

For Resource Conservation and Development, Recreation, Watershed Protection and Flood Prevention, Grazing and Other Shifts in Land Use, and Irrigation and Drainage, historical data on delinquencies for the past 5 years and economic trends were used in establishing National Agency objectives and States' goals. Regional economic conditions, knowledge of delinquent projects through delinquency reports, delinquency as of March 31, 1991, and field visits were taken into consideration to establish recommended States' goals.

H. Business and Industry - Reduction of Delinquency (25 points)

Historical data on delinquencies for the past 5 years and economic trends were reviewed. National Agency objective as well as the States' goals are based on economic conditions; delinquency as of March 31, 1991; efforts underway to ensure making of quality B&I loans; and efforts instituted through Form FmHA 1980-59, "Quarterly Delinquent/Problem Loan Report," to assist States in monitoring lender servicing.

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I. Water and Waste Disposal - Improve Water and Waste Disposal Loan servicing to ensure that borrowers provide rural users essential services at the most reasonable user rates obtainable. Emphasis will be to reduce actual delinquencies. (5 points)

The National Agency objective and States' goals are based on actual delinquencies as of June 30 as published in Report Code 616 for each of the last 5 years and downward economic trends in rural areas and the financial problems resulting from these trends. Consideration was given to the dramatic decrease in the loan portfolio due to the 1987 asset sale, ongoing loan substitutions, discount purchase programs, and delinquency as of March 31, 1991. These programs had a profound effect on Water and Waste Disposal delinquency rates due to only current loans being sold and substituted in the asset sale effort.

J. Community Programs - Graduation (10 points)

The National Agency objective and the States' goals are based on graduating 4.4 percent of the number of loans scheduled for graduation review within the performance year of July 1, 1991, through June 30, 1992.

3. Guaranteed Loans

A. Community Programs - Improve Fund Utilization (25 points)

The National Agency objective is to process 92 quality Community Programs (CP) guaranteed loans nationwide (preferably 46 Community Facilities (CF) and 46 Water and Waste Disposal (WWD) loans), during the period July 1, 1991, through June 30, 1992, to the point of approval, and if funds are available, approve the loans. Each State Office's goal is to process to the point of approval the established number of CP guaranteed loans, and if funds are available, approve the loans. Preferably, an equal number of CF and WWD guaranteed loans should be approved.

B. Business and Industry - Fund Utilization (15 points)

States are expected to use allocated funds to meet the credit needs within their State. States are expected by October 1, 1991, to have utilized 25 percent of FY '91 allocation and by June 30, 1992, to have utilized 75 percent of FY '92 allocation.